

## **Title 26. Taxation**

### **Chapter I. Generally, Department of Finance and Administration**

#### **Subchapter B. Sales and Use Tax**

#### **Part 34. Arkansas Sales Tax Holiday**

**Codification Notes.** This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"2012-2.ARKANSAS SALES TAX HOLIDAY (04/2012)"

"This rule is adopted under the provisions of Ark. Code Ann. §25-15-204, §26-18-101 et seq. and Act 757 of 2011, which is codified at Ark. Code Ann. §26-52-444. This rule is necessary to properly administer the provisions of Act 757 of 2011 regarding the Arkansas sales and use tax holiday."

"Issued this 10th day of April, 2012."

#### **Subpart 1. Generally**

##### **26 CAR § 34-101. Definitions.**

The following words and phrases, when used in this part, shall have the following meanings:

(1)(A) "Clothing" means an item of human wearing apparel suitable for general use for which the gross receipts or gross proceeds paid for the item of clothing is less than one hundred dollars (\$100).

(B) The following list contains examples of clothing but is not intended to be an all-inclusive list:

- (i) Aprons for both household and shop use;
- (ii) Athletic supporters;
- (iii) Baby receiving blankets;

- (iv) Bathing suits and caps;
- (v) Beach capes and coats;
- (vi) Belts and suspenders;
- (vii) Boots;
- (viii) Coats and jackets;
- (ix) Costumes;
- (x) Diapers for children and adults, including disposable diapers;
- (xi) Ear muffs;
- (xii) Footlets;
- (xiii) Formal wear;
- (xiv) Garters and garter belts;
- (xv) Girdles;
- (xvi) Gloves and mittens for general use;
- (xvii) Hats and caps;
- (xviii) Hosiery;
- (xix) Insoles for shoes;
- (xx) Lab coats;
- (xxi) Neckties;
- (xxii) Overshoes;
- (xxiii) Pantyhose;
- (xxiv) Rainwear;
- (xxv) Rubber pants;
- (xxvi) Sandals;
- (xxvii) Scarves;
- (xxviii) Shoes and shoe laces;
- (xxix) Slippers;
- (xxx) Sneakers;
- (xxxi) Socks and stockings;
- (xxxii) Steel-toed shoes;
- (xxxiii) Underwear;

- (xxxiv) Uniforms, both athletic and nonathletic; and
- (xxxv) Wedding apparel.

(C) The following list contains examples of items that are not clothing but is not intended to be an all-inclusive list:

- (i) Belt buckles sold separately;
- (ii) Costume masks sold separately;
- (iii) Patches and emblems sold separately;
- (iv) Protective equipment;
- (v) Sewing equipment and supplies including, but not limited to:
  - (a) Knitting needles;
  - (b) Patterns;
  - (c) Pins;
  - (d) Scissors;
  - (e) Sewing machines;
  - (f) Sewing needles;
  - (g) Tape measures; and
  - (h) Thimbles;

(vi) Sewing materials that become part of "clothing" including, but not limited to:

- (a) Buttons;
- (b) Fabric;
- (c) Lace;
- (d) Thread;
- (e) Yarn; and
- (f) Zippers; and
- (vii) Sport or recreational equipment;

(2)(A) "Clothing accessory or equipment" means an incidental item worn on the person or in conjunction with clothing for which the gross receipts or gross proceeds paid for the item of clothing accessory or equipment is less than fifty dollars (\$50.00).

(B)The following list contains examples of clothing accessories or equipment but is not intended to be an all-inclusive list:

- (i) Briefcases;
- (ii) Cosmetics;
- (iii) Hair notions, including but not limited to:
  - (a) Barrettes;
  - (b) Hair bows; and
  - (c) Hair nets;
- (iv) Handbags;
- (v) Handkerchiefs;
- (vi) Jewelry;
- (vii) Sunglasses, nonprescription;
- (viii) Umbrellas;
- (ix) Wallets;
- (x) Watches; and
- (xi) Wigs and hair pieces;

(3) "Cosmetics" means:

(A)(i) Articles intended to be rubbed, poured, sprinkled, or sprayed on, introduced into, or otherwise applied to the human body or any part thereof for:

- (a) Cleansing;
- (b) Beautifying;
- (c) Promoting attractiveness; or
- (d) Altering the appearance.

(ii) The following list contains examples of cosmetics but is not intended to be an all-inclusive list:

- (a) Acne cleansers;
- (b) Acrylic fingernail glue;
- (c) Acrylic fingernails;
- (d) Aftershave;
- (e) Antimicrobial products, such as Germ-X gel/wipes;

*(f)* Antimicrobial soap;  
*(g)* Antiperspirant;  
*(h)* Anti-wrinkle cream;  
*(i)* Artificial eyelashes;  
*(j)* Baby oil;  
*(k)* Baby powder;  
*(l)* Bath salts/oils/crystals;  
*(m)* Blush;  
*(n)* Body glitter;  
*(o)* Body spray;  
*(p)* Body wash;  
*(q)* Breath spray/strips;  
*(r)* Bronzer;  
*(s)* Bubble bath;  
*(t)* Cleansing wipes;  
*(u)* Cologne;  
*(v)* Concealer;  
*(w)* Conditioner;  
*(x)* Contact moisturizers;  
*(y)* Deodorant;  
*(z)* Epsom salts;  
*(aa)* Eye liner;  
*(bb)* Eye shadow;  
*(cc)* Eyebrow liner;  
*(dd)* Eyelash glue;  
*(ee)* Facial cleansers;  
*(ff)* Facial treatments;  
*(gg)* Feminine hygiene creams;  
*(hh)* Feminine hygiene douches;  
*(ii)* Feminine hygiene wipes;

*(jj)* Fingernail decorations;  
*(kk)* Fingernail polish;  
*(ll)* Foot cleansers;  
*(mm)* Foot deodorant;  
*(nn)* Hair coloring;  
*(oo)* Hair mousse/gel;  
*(pp)* Hair oil;  
*(qq)* Hair relaxer;  
*(rr)* Hair removal products;  
*(ss)* Hair spray;  
*(tt)* Hair wave treatment;  
*(uu)* Hair wax;  
*(vv)* Lip balm;  
*(ww)* Lip gloss;  
*(xx)* Lip liner;  
*(yy)* Lipstick;  
*(zz)* Liquid foundation;  
*(aaa)* Liquid soap;  
*(bbb)* Lotion;  
*(ccc)* Makeup;  
*(ddd)* Mascara;  
*(eee)* Mouthwash;  
*(fff)* Nail polish remover;  
*(ggg)* Perfume;  
*(hhh)* Powder foundation;  
*(iii)* Saline wipes;  
*(jjj)* Shampoo;  
*(kkk)* Shaving cream;  
*(lll)* Shaving soap;  
*(mmm)* Stretch mark creams;

*(nnn)* Teeth whitening products; and

*(ooo)* Toothpaste; and

(B)(i) Articles intended for use as a component of any such articles, except that the term "cosmetics" shall not include soap.

(ii) "Soap" means:

*(a)* The bulk of the nonvolatile matter in the product consists of an alkali salt of fatty acids and the detergent properties of the article are due to the alkali-fatty acid compounds; and

*(b)* The product is labeled, sold, and represented only as soap;

(4) "Department" means the Department of Finance and Administration;

(5) "Eligible property" means the following list of items as defined in this section:

(A) Clothing;

(B) Clothing accessory or equipment;

(C) School art supply;

(D) School instructional material; and

(E) School supply;

(6)(A) "Layaway sale" means a transaction in which property is set aside for future delivery to a customer who:

(i) Makes a deposit;

(ii) Agrees to pay the balance of the purchase price over a period of time; and

(iii) At the end of the payment period, receives the property.

(B) An order is accepted for layaway by the seller when the seller removes the property from normal inventory or clearly identifies the property as sold to the purchaser;

(7)(A) "Protective equipment" means items for human wear and designed as protection of the wearer against injury or disease or as protection against damage or injury of other persons or property but not suitable for general use.

(B) The following list contains examples of protective equipment but is not intended to be an all-inclusive list:

- (i) Breathing masks;
- (ii) Clean room apparel and equipment;
- (iii) Ear and hearing protectors;
- (iv) Face shields;
- (v) Hard hats;
- (vi) Helmets;
- (vii) Paint or dust respirators;
- (viii) Protective gloves;
- (ix) Safety glasses and goggles;
- (x) Safety belts;
- (xi) Tool belts; and
- (xii) Welder's gloves and masks;

(8) "Rain check" means the seller allows a customer to purchase an item at a certain price at a later time because the particular item was out of stock;

(9) "School art supply" means an item commonly used by a student in a course of study for artwork and includes only the following list of items:

- (A) Clay and glazes;
- (B) Acrylic, tempera, and oil paints;
- (C) Paintbrushes for artwork;
- (D) Sketch and drawing pads; and
- (E) Watercolors;

(10)(A) "School instructional material" means written material commonly used by a student in a course of study as a reference and to learn the subject being taught.

(B) School instructional material includes only the following list of items:

- (i) Reference books;
- (ii) Reference maps and globes;
- (iii) Textbooks; and
- (iv) Workbooks;

(11) "School supply" means an item commonly used by a student in a course of study and includes only the following list of items:

- (A) Binders;
- (B) Book bags;
- (C) Calculators;
- (D) Cellophane tape;
- (E) Blackboard chalk;
- (F) Compasses;
- (G) Composition books;
- (H) Crayons;
- (I) Erasers;
- (J) Expandable, pocket, plastic, and manila folders;
- (K) Glue, paste, and paste sticks;
- (L) Highlighters;
- (M) Index cards;
- (N) Index card boxes;
- (O) Legal pads;
- (P) Lunch boxes;
- (Q) Markers;
- (R) Notebooks;
- (S) Paper; loose-leaf ruled notebook paper, copy paper, graph paper, tracing paper, manila paper, colored paper, poster board, and construction paper;
- (T) Pencil boxes and other school supply boxes;
- (U) Pencil sharpeners;
- (V) Pencils and pencil lead;
- (W) Pens and pen refills;
- (X) Protractors;
- (Y) Rulers; and
- (Z) Scissors and writing tablets; and

(12)(A) "Sport or recreational equipment" means items designed for human use and worn in conjunction with an athletic or recreational activity that are not suitable for general use.

(B) The following list contains examples of sport or recreational equipment but is not intended to be an all-inclusive list:

- (i) Ballet and tap shoes;
- (ii) Cleated or spiked athletic shoes;
- (iii) Gloves, including but not limited to:
  - (a) Baseball;
  - (b) Bowling;
  - (c) Boxing;
  - (d) Hockey; and
  - (e) Golf;
- (iv) Goggles;
- (v) Hand and elbow guards;
- (vi) Life preservers and vests;
- (vii) Mouth guards;
- (viii) Roller and ice skates;
- (ix) Shin guards;
- (x) Shoulder pads;
- (xi) Ski boots;
- (xii) Waders; and
- (xiii) Wetsuits and fins.

**Authority.** Arkansas Code § 26-52-444.

### **26 CAR § 34-102. General provisions.**

The gross receipts derived from the sale of the following items shall be exempt from state and local Arkansas sales and use tax from 12:01 a.m. on the first Saturday in August to 11:59 p.m. the following Sunday each year:

- (1) Clothing;
- (2) Clothing accessory or equipment;
- (3) School art supply;
- (4) School instructional material; and
- (5) School supply.

**Authority.** Arkansas Code § 26-52-444.

**26 CAR § 34-103. Procedural provisions.**

For purposes of administering the Arkansas sales tax holiday, the following procedures will apply:

(1) **Layaway sales.** A sale of eligible property under a layaway sale qualifies for exemption if:

(A) Final payment on a layaway order is made by, and the property is given to, the purchaser during the exemption period; or

(B) The purchaser selects the property and the retailer accepts the order for the item during the exemption period, for immediate delivery upon full payment, even if delivery is made after the exemption period;

(2) **Bundled sales.** The Department of Finance and Administration will follow the provisions of Arkansas Code § 26-52-103(2) on bundled transactions for purposes of the sales tax holiday;

(3) **Coupons and discounts.**

(A) A discount by the seller reduces the sales price of the property and the discounted sales price determines whether the sales price is within a sales tax holiday price threshold.

(B) A coupon that reduces the sales price is treated as a discount if the seller is not reimbursed for the coupon amount by a third party.

(C) If a discount applies to the total amount paid by a purchaser rather than to the sales price of a particular item and the purchaser has purchased both eligible property and taxable property, the seller should allocate the discount based on

the total sales prices of the taxable property compared to the total sales prices of all property sold in that same transaction;

**(4) Splitting of items normally sold together.**

(A) Articles that are normally sold as a single unit must continue to be sold in that manner.

(B) Such articles cannot be priced separately and sold as individual items in order to obtain the exemption.

(C) For example, a pair of shoes cannot have each shoe sold separately so that the sales price of each shoe is within a sales tax holiday price threshold;

**(5) Rain checks.**

(A) A rain check allows a customer to purchase an item at a certain price at a later time because the particular item was out of stock.

(B)(i) Eligible property that customers purchase during the exemption period with use of a rain check will qualify for the exemption regardless of when the rain check was issued.

(ii) Issuance of a rain check during the exemption period will not qualify eligible property for the exemption if the property is actually purchased after the exemption period;

**(6) Exchanges.** The procedure for an exchange in regard to a sales tax holiday is as follows:

(A) If a customer purchases an item of eligible property during the exemption period, but later exchanges the item for a similar eligible item, even if a different size, different color, or other feature, no additional tax is due even if the exchange is made after the exemption period;

(B) If a customer purchases an item of eligible property during the exemption period, but after the exemption period has ended the customer returns the item and receives credit on the purchase of a different item, the appropriate sales tax is due on the sale of the newly purchased item; and

(C) If a customer purchases an item of eligible property before the exemption period, but during the exemption period the customer returns the item and

receives credit on the purchase of a different item of eligible property, no sales tax is due on the sale of the new item if the new item is purchased during the exemption period;

**(7) Delivery charges.**

(A) Delivery charges, including shipping, handling, and service charges, are part of the sales price of eligible property as set forth under the department's Gross Receipts Rule GR-18(A), 26 CAR § 30-.

(B)(i) For the purpose of determining a sales tax holiday price threshold, if all the property in a shipment qualifies as eligible property and the sales price for each item in the shipment is within the sales tax holiday price threshold, then the seller does not have to allocate the delivery, handling, or service charge to determine if the price threshold is exceeded.

(ii) The shipment will be considered a sale of eligible products.

(C) If the shipment includes eligible property and taxable property (including an eligible item with a sales price in excess of the price threshold), the seller should allocate the delivery charge by using:

(i) A percentage based on the total sales prices of the taxable property compared to the total sales prices of all property in the shipment; or

(ii)(a) A percentage based on the total weight of the taxable property compared to the total weight of all property in the shipment.

(b) The seller must tax the percentage of the delivery charge allocated to the taxable property but does not have to tax the percentage allocated to the eligible property;

**(8) Order date and back orders.** For the purpose of a sales tax holiday, eligible property qualifies for exemption if the:

(A) Item is both delivered to and paid for by the customer during the exemption period; or

(B)(i) Customer orders and pays for the item and the seller accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period.

(ii) The seller accepts an order when the seller has taken action to fill the order for immediate shipment.

(iii) Actions to fill an order include placement of an "in date" stamp on a mail order or assignment of an "order number" to a telephone order.

(iv) An order is for immediate shipment when the customer does not request delayed shipment.

(v) An order is for immediate shipment notwithstanding that the shipment may be delayed because of a backlog of orders or because stock is currently unavailable to, or on back order by, the seller;

**(9) Returns.**

(A) For a sixty-day period immediately after the sales tax holiday exemption period, when a customer returns an item that would qualify for the exemption, no credit for or refund of sales tax shall be given unless the customer provides a receipt or invoice that shows tax was paid, or the seller has sufficient documentation to show that tax was paid on the specific item.

(B) This sixty-day period is set solely for the purpose of designating a time period during which the customer must provide documentation that shows that sales tax was paid on returned merchandise.

(C) The sixty-day period is not intended to change a seller's policy on the time period during which the seller will accept returns; and

**(10) Different time zones.** The time zone of the seller's location determines the authorized time period for a sales tax holiday when the purchaser is located in one (1) time zone and a seller is located in another.

**Authority.** Arkansas Code § 26-52-444.

**26 CAR § 34-104. Taxpayer assistance.**

Information regarding the administration of the sales tax holiday may be obtained from the Sales and Use Tax Section of the Department of Finance and Administration,

P.O. Box 1272, Room 1330, Joel Y. Ledbetter Building, Little Rock, Arkansas 72203,  
Phone: 501-682-7104, Fax: 501-682-7904, <http://www.dfa.arkansas.gov>.

**Authority.** Arkansas Code § 26-52-444.

**26 CAR § 34-105. Examination of records.**

The Department of Finance and Administration is authorized under Arkansas Code § 26-18-305 of the Arkansas Tax Procedure Act to audit and examine taxpayer books and records to verify compliance with the provisions of Acts 2011, No. 757.

**Authority.** Arkansas Code § 26-52-444.